



# RUTHERFORD & JOHNSON, P.C.

*Certified Public Accountants & Business Advisors*

116 Medical Circle  
Winchester, Virginia 22601

February 2012

With the constantly changing tax law, we want to communicate significant changes to you to help ensure you stay up to date and can take a proactive approach to stay in compliance with those changes.

There are two areas in particular that require the attention of the small business owner for 2011 and 2012 of which we want to make you aware:

## **IRS Requires Information Regarding 1099 Filings on Tax Return**

The IRS is gradually implementing increased requirements pertaining to the issuance of 1099's. New for 2011 tax filings, there are two questions on all business returns that require a "yes" or "no" answer:

- 1) Did you make any payments in 2011 that would require you to file Form(s) 1099? '
- 2) If "Yes," did you or will you file all required Forms 1099?

Generally, 1099's are required to be issued to vendors paid \$600 or more for payments of services and rents, and \$10 or more in interest payments. An exception exists when the vendor is incorporated. However, a 1099 must be provided for payment of \$600 or more for legal services regardless of the form of entity.

To be timely filed, the IRS copies must be submitted by February 28. Recipients should generally receive their forms by January 31.

To assist with compiling required vendor data throughout the year and keeping in compliance with the new requirements, we have enclosed a Form W-9 and guidelines for compiling data throughout the year. Please contact our office if you have any question on the requirement or if you need assistance with the forms.

## **IRS Requires Reconciliation of Credit Card Receipts to 1099-K**

If you accept credit cards, your merchant vendor will be issuing you 1099-K forms. You may receive some of these for 2011. For 2012 tax returns, it will be a requirement to list your income received via credit cards separately on the business income tax return. The IRS will likely compare the amount you reported to the amount reported by your merchant vendor to the IRS (via duplicate 1099 copies). Businesses will likely be asked to explain discrepancies that exist for underreported amounts. To assist with this recordkeeping, it is important to start tracking now the amounts you receive by credit card. Should you need assistance in tracking this in Quickbooks or manually compiling this data, please contact our office.



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## Tips for Compiling 1099 Data

Given the requirements of Form 1099 reporting, there are some things you can do to help accumulate the data throughout the year and avoid additional tasks at year end. We have listed below some tips to assist you in implementing simple changes into your accounting system.

- 1) Prior to making payment to your vendors, obtain a completed Form W-9 for your files. This would be for any vendor to whom you pay rent or who provides a service, including repairs and maintenance, professional and legal services, subcontractor labor and consulting. If the vendor refuses to provide the form, you may need to consider backup withholding at 28% of the amount due.
- 2) When using QuickBooks, mark applicable vendors as eligible for receipt of Forms 1099. To do so, go into your *vendor list*, edit your vendor, and check the box on the *additional information* tab entitled *vendor eligible for 1099*. Also complete the *tax ID* field with the federal identification number (or social security number) as provided by the vendor. If this information is not available, provide the vendor with Form W-9.
- 3) Make sure vendor addresses are kept current in your QuickBooks file.
- 4) If you use another accounting system and the software does not track vendors or you use a manual system, you may want to set up a file to retain the W-9 and the payment information throughout the year so it is readily available at year end.

Reply To: P. O. Box 3252, Winchester, Virginia 22604

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Members: The American Institute of and Virginia Society of Certified Public Accountants and The Virginia Group of CPA Firms, Inc.

## Request for Taxpayer Identification Number and Certification

Give Form to the  
 requester. Do not  
 send to the IRS.

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return)	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate  <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ .....  <input type="checkbox"/> Other (see instructions) ▶	
	<input type="checkbox"/> Exempt payee	
	Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
City, state, and ZIP code		
List account number(s) here (optional)		

<b>Part I Taxpayer Identification Number (TIN)</b>					
Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see <i>How to get a TIN</i> on page 3.  <b>Note.</b> If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="background-color: #f2f2f2; font-weight: bold;">Social security number</td></tr> <tr><td style="height: 30px;"></td></tr> <tr><td style="background-color: #f2f2f2; font-weight: bold;">Employer identification number</td></tr> <tr><td style="height: 30px;"></td></tr> </table>	Social security number		Employer identification number	
Social security number					
Employer identification number					

<b>Part II Certification</b>	
Under penalties of perjury, I certify that:	
1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and 2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and 3. I am a U.S. citizen or other U.S. person (defined below).	
<b>Certification instructions.</b> You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.	

<b>Sign Here</b>	Signature of U.S. person ▶	Date ▶
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